

Put it in reverse

Industry chameleon Kevin Conlon's latest challenge is to educate older Australians – and their financial planners – on ways to release the equity in their property, ZOË FIELDING writes.

KEVIN CONLON has made a habit of being the first to join in on the next big thing. And this is the way he thinks of the reverse mortgage industry, the latest sector he has chosen to throw himself into.

With more than 30 years' experience in the financial services industry, the first chief executive of the Senior Australians Equity Release Association of Lenders (SEQUAL) has always worked in fast-growing areas at the cutting edge of technology, product and regulatory development.

Conlon's experiences have ranged from knocking on doors of people in danger of having their cars repossessed to cutting major deals for Qantas and being dropped into the jungles of Papua New Guinea to provide advice on syndicate loans.

Early in his career, he worked in merchant banking at a time when the country's major banks were rationing credit and Australian companies were looking to investment banks to provide them with funding from overseas. He moved through the syndicated loans industry and the non-bank mortgage sector as these markets began to develop.

Conlon says it has not been by design that his career so far has followed a pattern of working in what he calls emerging markets. Instead, his main attraction to new areas has been a desire to deliver innovative services that will benefit clients.

"I've never been hung up on the prestige or the perceived prestige of particular market participants," he says. "Whether you're a merchant banker or a mortgage broker, the issue is whether you deliver useful value to your clients."

More recently, Conlon has worked in training. He established his own well-regarded training practice and was head of education for the Mortgage & Finance Association of Australia, which represents mortgage brokers and lenders, before joining SEQUAL in July last year as head of education. He began his role as the organisation's chief executive on July 1.

"Having 30 years across all sectors of the financial markets, I have a well-informed view of fund areas and mortgage portfolios, as well as the practical experience having worked at the coalface," Conlon says. He believes



Kevin Conlon, SEQUAL:
All advisers must deliver
value to their clients.

this breadth of experience will help him perform in his new role.

The equity-release market cuts across many parts of the supply chain. SEQUAL aims to represent those operating in each of its parts including product manufacturers, mortgage brokers, financial advisers and lawyers who deal with clients interested in reverse mortgages.

Conlon says he feels strongly that if consumers need advice on reverse mortgage transactions it doesn't matter if it comes from a mortgage broker or a financial planner. "The important thing is whether or not that advice is reliable and robust," he says.

There is still a lack of understanding of reverse mortgages among senior Australians. In February, SEQUAL published a study of retirees' attitudes towards equity release. Although almost one-third of the 1000 retirees surveyed across Australia expected to rely on their home as a source of retirement funding, most planned to downsize and did not understand other financial options.

The study, conducted by retail and private banking research specialists Retail Finance Intelligence, found that 80 per cent of over-60s had heard of reverse mortgages, but only half of these people understood the basic premise of the product. Many feared the idea of a reverse mortgage, believing they would lose their pension benefits or home title.

More than 25 per cent of seniors thought a reverse mortgage involved selling a portion of the house to the bank for money, or that the loan required compulsory repayments until the borrower passed away.

It's not surprising, given these results, that the take-up of reverse mortgages has been relatively slow. Last year, reverse mortgages worth \$466 million were sold across the country, bringing the total number of loans to 33,700, and total outstanding lending of more than \$2 billion, separate research conducted by Trowbridge Deloitte for SEQUAL shows. Although this represented a 34 per cent rise in the size of the market through the year, the rate of sales growth was 10 per cent lower than it had been in 2006.

Sales of equity-release loans were slower in the second half of 2007, primarily because of the tighter availability of funds for lenders, rising interest rates and

other factors of economic and political uncertainty.

Financial planners have been slow to embrace equity-release instruments for their clients. Fewer than one-tenth of product sales came through advisers, the Trowbridge Deloitte study found. Most loans originated either through mortgage brokers or when the client came directly to the lender.

"To some extent," Conlon says, "the financial planning community could have reacted sooner to challenges presented by clients moving into retirement with a desire to live well – and perhaps beyond the means provided by a narrow focus on superannuation and pension entitlements."

In part, he plans to use his new role to engage with financial planners, challenging them to think beyond the traditional boundaries of advice, particularly for people approaching, or in, retirement.

At least 60 per cent of older Australians have most of their wealth tied up in their family home, Trowbridge Deloitte says. Few retirees have cash reserves available to fund their day-to-day living, and most have largely missed out on compulsory superannuation, introduced in 1992. The study finds that 60 per cent of people older than 75 have no superannuation savings.

Retail Finance Intelligence's research shows baby boomers are pessimistic about their ability to fund retirement. One-third of those surveyed feared their funds would last only five to 10 years.

Most financial planners consider clients' wealth separately from the value of their home. However, Conlon argues it would serve many clients better if the home were considered part of an active asset allocation.

"The real issue [is] to shake off the lethargy of conventional thinking and respond in a meaningful way to opportunities and challenges as they emerge," he says. "That's really encapsulated in the reverse-mortgage market." ❁

There is a need to shake off the lethargy of conventional thinking and respond to opportunities.